

PESTLE ANALYSIS

THE STRATEGIC ANALYTIC TOOL

WHAT IS PESTLE ANALYSIS?

- Discovered in 1967 by Francis Aguilar originally as the 'PEST' analysis, the tool has been amended to reflect contemporary interests (Vaidya, no date).
- A strategic fact-finding tool to analyse an organisation's macro-environment factors: political, economic, social, technological, legal and environmental.
- Supports an organisation in identifying potential threats and opportunities with the aim of increasing successful strategic decision-making (Vaidya, no date).

HOW HELPFUL IS IT?

- A simple tool to use and understand. However, can be detrimental as organisation's may simplify their data to a point where key information is lost, and potential risks are not anticipated (Battista, 2021)
- Assists an organisation in understanding their external environment. Current 'VUCA' status means that the external environment is rapidly changing and with it pestle analysis becomes outdated. PESTLE has to be frequently revisited for up-to-date analysis (Battista, 2021).
- Helps an organisation to identify potential threats in the short-long term and assists in analysing those threats to discover possible solutions or risk mitigation. However, the analysis data is not based on fact but assumptions and so organisations may dedicate resources to a threat that they may never face (Battista, 2021).

POLITICAL

This factor is almost exclusively driven by government actions and policies (Peterdy, K, 2022). Examples: Tax policy, trade restrictions, tariffs, political stability and fiscal policy (Battista, 2021).

SOCIAL

This tends to be harder to quantify and they refer to an organisation's stance on life and leisure (Peterdy, K, 2022). Examples: Cultural trends, health consciousness, age distribution, career attitudes, health and safety (Battista, 2021)

LEGAL

Legal factors can affect the whole economy or specific industries, they arise due to changes in legal frameworks whether that be through passing of law or introduction or amendments of regulations (Peterdy, K, 2022). Examples: employment legislation, consumer law, copyright law (Battista, 2021)

ECONOMIC

This relates to the broader economy and tend to be expressly financial in nature (Peterdy, K, 2022). Examples: interest rates, exchange rates, foreign direct investment, wage rates and cost of living (Battista, 2021).

TECHNOLOGICAL

Technology will be forever developing, and the maximum potential of technology is yet to be discovered, so it is vital for all organisations to invest in. (Raval, 2022). Examples: artificial intelligent, automation and robotics (Battista, 2021)

ENVIRONMENTAL

This factor focuses on an organisation's physical environment. There is an increasing importance for organisations to accept responsibility for their impact on the environment and address it effectively. Examples: climate change, global warming. (Battista, 2021)

Private Sector - Environmental

A prominent issue facing many organisations in the private sector is decarbonisation. The focus and concern regarding the environment and its future state is at the forefront of many strategies and legislation. Tata Steel UK. The Paris Agreement, adopted on 12th December 2015, is a legally binding treaty aiming to reduce Greenhouse Gas emissions in order to address global warming (United Nations Climate Change, no date). As laid out by Tata Steel UK (2021) their current annual carbon dioxide emissions are 6.99 million tonnes, by 2030, Tata Steel UK plan to have reduced their carbon dioxide emissions by 30%, and by 2045 aim to be carbon neutral (Kolisnichenko, 2022).

So what next?

Tata Steel UK need to invest time and research into decarbonising their operations and making them sustainable for the future. If they don't they could face fines through environmental regulations and may potentially see a loss of customers to more sustainable steel-makers.

SOME EXAMPLES IN THE PRIVATE, PUBLIC AND THIRD SECTOR

Public Sector - Political

The NHS have to be completely aware and compliant with all legislation and law changes, they are greatly impacted by any political changes due to the structure of the public sector. One political movement that had a significant effect on the NHS is Brexit. According to the UK Parliament (2022) there was a 65% fall in the number of staff employed by the NHS who had an unknown nationality following Brexit.

Following Brexit there were changes in immigration laws which led to higher costs and going through a more complex process for obtaining visa. There were also contentions over whether individuals should have the right to remain in the UK (UK Parliament, 2022).

So, what next?

Due to loss of skills the NHS had to look to adapt their ways of working. This was propelled forward by the covid pandemic. Technology has been crucial in addressing the issues with many GPs taking online bookings to free resource and also carrying out online consultations in order to provide healthcare more efficiently (Bush, 2019).

Third Sector - Economic

The third sector is currently facing huge uncertainty due to the cost of living crisis. The current inflation rate in the UK is 9.6% (InflationTool, 2022). As a result, charities are facing shortages in volunteers and donations while experiencing a higher demand for their services (Smith, 2022). As raised by Wait (2022) the founder of Me&Dee, a charity based in Derby has seen a rapid decrease in donations, with 5 monthly donors unable to continue with their support. At the same time the charity has also seen an 100% increase for their services (Wait, 2022). This poses a big question for the third sector; how can a bigger demand be managed with considerably less resources?

So, what next?

The cost of living crisis is likely to improve in Q3 of 2023 when inflation is expected to fall. If this happens, individuals will have more disposable income and the demand on charities should in turn decrease. Charities may also see a steady increase in donations and volunteers (Pugh, no date). This highlights the need for organisations to thoroughly analyse and understand their external environment and the future threats and opportunities to understand the longevity of the risk.